



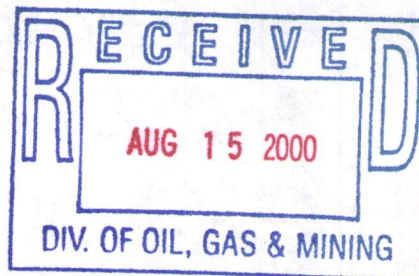
State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>



August 11, 2000

Jeffrey L. Sagers
2016 South Montana Ave.
Provo, UT 84606

VIA FEDEX # 8214 2108 8383

RE: ML 46649-BSLS; NOTICE OF BREACH OF ARTICLE XII
DOGM Permit # S/003/052

Dear Mr. Sagers,

On July 10, 2000, Lessee was requested by Certified Mail No. 959 217 968 to provide a bond to the Trust Lands administration in the amount of \$5,000, within thirty days, pursuant to Article XII of the terms and conditions of ML 46649-BSLS. Lessee failed to submit the required bond and is in breach of Article XII. Lessee is hereby notified that if such breach shall continue for a period of thirty days, ML 46649-BSLS may be cancelled without further notice.

ML 46649-BSLS may sooner be canceled on September 4, 2000, if Lessee fails to submit production reports and royalties as requested by Lessor's letter of August 4, 2000, (Certified Mail No. P 959 217 978; copy enclosed).

Mineral Materials Permit ML 48357-MP covering adjacent trust lands is cancelled effective September 4, 2000, pursuant to the notice of cancellation sent to Permittee on August 4, 2000, (Certified Mail No. P959-217-977; copy enclosed).

Please contact me if you have any questions in this matter.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Lynn Kunzler